

Public Service Commission of Wisconsin
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Ex.-WIEG-Kollen-2

MPSC Case No. U-17682
Joint Applicants' Response to
Staff Data Request 01-HS

REQUEST NO. 01-HS-02:

Please refer to line 5 of page 7 of Mr. John Reed's testimony.

- a. Please provide an itemized list of the transition costs that WEC's proposes to recover through the rate case process. Please refer to only the Michigan jurisdictional portion of the total transition costs expected to be incurred by WEC.
- b. Please provide a justification for why these costs should be incurred through the ratemaking process.

RESPONSE:

Response 1-HS-2a: Mr. Reed notes at page 36, lines 7-15, that the development and execution of merger integration plans is a lengthy process which requires the evaluation of potential merger synergies/efficiencies as well as the costs required to achieve such benefits (i.e., transition costs). Mr. Reed further notes that WEC has not yet commenced this merger integration process. As a result, neither WEC nor Mr. Reed has developed an itemized list of transition costs that would be proposed for rate recovery in future rate cases.

Response 1-HS-2b: Transition costs are expenses that would be incurred at a future date for the purpose of producing synergy/efficiency savings that benefit Michigan ratepayers. As noted on page 7, lines 2-4 of Mr. Reed's testimony, transaction costs are the various costs and fees incurred in connection with the execution of the transaction (e.g., banker fee, legal fees, etc.); WEC will not seek recovery of these transaction costs. Mr. Reed notes at page 39, lines 10-13, that future merger related efficiencies and savings are expected over time and that such savings, net of associated transition costs, will be reflected in customer rates through the normal rate case process. In Mr. Reed's view, it is fair and reasonable to include the costs incurred to achieve savings for Michigan ratepayers in future rate cases, assuming that net savings are produced. The effect of this approach is not to actually include transition costs in the utility's cost of service; it includes savings in the cost of service in rate cases, but those savings are net of the transition costs needed to achieve them.

Answered by: John J. Reed

Date: August 27, 2014